

# WV State Treasurer's Auditing Guidelines

---

## Statement of Purpose

The following guidelines contain policy and procedures governing the activities of Vendor of the West Virginia State Treasurer's Office (the "STO") conducting examinations under West Virginia's Unclaimed Property Program. These guidelines are designed to assist any vendor who has any exception to the standards noted in **PO 404 Section 2.12.5** and how to obtain STO approval to perform an audit:

1. See that the examinations are conducted objectively and impartially;
2. See that the examinations are completed promptly and without undue burden of holders;
3. See that confidentiality is maintained for records obtained from the STO and the holders; and
4. See that the holder under examination is fully apprised of its appeal rights.

## Authority to Conduct Unclaimed Property Examinations

West Virginia State Code §36-8-20 provides authority for the STO, at reasonable times and upon reasonable notice, to examine the records of any person to determine whether the person has complied with the West Virginia Uniform Unclaimed Property Act.

This same section provides authority for the STO to request that the unclaimed property examination be conducted by outside auditors ("Vendors") pursuant to contract, on behalf of the STO. For purposes of these guidelines, the term "Auditors" refers both to Vendors and to auditors who are employees of the STO. Except as otherwise provided in these guidelines, the same standards apply to all Auditors.

## General Policies

### 1. Provisions specific to Vendors

- 1.1. The Vendors must comply with the terms and conditions specified in the contract with the STO.
- 1.2. When permitted by the terms of an existing contract with the STO, the Vendor may select holders to enter into voluntary examination agreements (examinations initiated by Vendor). However, the Vendor may not solicit a holder to enter into a voluntary examination agreement in regard to the holder's unclaimed property reporting liability if:
  - 1.2.1. The holder is under an involuntary examination (examinations initiated and authorized by the STO) being conducted on behalf of and at the initiation of the STO, or if a Vendor has been notified that such an examination is being conducted by another Vendor on behalf of and at the initiation of the STO;
  - 1.2.2. The Vendor has been notified in writing by the STO that an examination of the holder is planned; or
  - 1.2.3. The holder has been contacted within the scope of the STO's Desk Audit Program.
- 1.3. The Vendor must sign a confidentiality statement to preserve the integrity of state security and confidentiality. The Vendor must sign a confidentiality statement to preserve the holder's interest and the reasonable expectation of privacy of the owner's interest. The Vendor shall maintain a file of confidentiality statements and provide such statement to the STO upon request.

- 1.4. The Vendor may not subcontract any work without prior written authorization from the STO. The Vendor is responsible for ensuring that any affiliated companies and any sub-contractors that are used during the examinations collectively possess sufficient training and experience to adequately perform the unclaimed property examination and fully comply with all other policies and procedures governing its conduct.
- 1.5. The Vendor must maintain working papers for a minimum of ten years following the completion of the examination and the remitting of abandoned property.

## **2. General policies applicable to all Auditors:**

- 2.1. The Auditor may not participate in examinations in which such participation could be construed as a conflict of interest. An example of a conflict of interest would be an Auditor entering into an agreement with, or having an existing obligation to the holder, that is adverse to the interest of the State of West Virginia.
- 2.2. The Auditor must properly document his or her review and make the working papers gathered during the examinations available on demand for review by the STO. Such working papers shall include planning information and all related calculations, statistical analyses, and summarizations.
- 2.3. In all matters relating to the examination, the Auditor must maintain an independence in mental attitude.
- 2.4. The Auditor must possess sufficient training and experience to adequately perform the unclaimed property examination.
- 2.5. The Auditor may not enter into involuntary examinations without the written consent of the STO. The Auditor must provide the holder with a copy of the STO letter authorizing the Auditor to perform the examination of the STO's behalf.
- 2.6. The Auditor must maintain strict confidentiality of any records or documents gathered during the examination.
- 2.7. The Auditor must fully explain to the holder:
  - 2.7.1. The purpose, scope, and objectives of the examination;
  - 2.7.2. The general approach of the examination and the procedures to be applied;
  - 2.7.3. Circumstances in which estimation techniques may be used, along with a description of the methodology that may be employed; and
  - 2.7.4. The holder's right to appeal the results of the examination.

## **3. Initiating the Audit:**

- 3.1. Opening Conference: Prior to the opening conference, the Auditor must provide the holder with a confidentiality agreement form and a copy of these policies and procedures. During the opening conference, the Auditor must:
  - 3.1.1. Identify the time period to be covered by the examination and describe the general examination methods to be employed, including sampling and estimation.
  - 3.1.2. Explain any unique aspect of West Virginia's Unclaimed Property Law as compared to other states.
  - 3.1.3. In the case of a Vendor, identify, in writing, the STO's examination liaison to whom the Vendor is accountable, including his or her full name, title, address, telephone and facsimile number, and advise the holder that it is free to discuss the examination directly with the liaison at any time regarding allegations of misconduct, unethical behavior, or significant disagreement relating to legal authority.
  - 3.1.4. Identify, in writing, each and every Auditor and/or Vendor representative, who will take part in the examination.
  - 3.1.5. Explain that the holder shall directly remit to the Vendor any abandoned property identified during the examination as owing to the State of West Virginia. The Vendor shall be responsible for remitting the property to the STO.

- 3.1.6. Explain the holder's appeal rights and procedures and the Auditor's responsibility during the appeal process.
- 3.1.7. Advise the holder of the provisions of the statute for notifying owners of their property. The Auditor shall notify the STO if due diligence has not been carried out by the holder.
- 3.1.8. Advise the holder of its continuing obligation to report property to the STO.
- 3.1.9. Advise the holder that all property remitted must conform to the requirements of the Act.
- 3.1.10. Inform the holder that any applicable penalties and interest may only be waived with written authorization from the STO.
- 3.1.11. Fully disclose to the holder its fee arrangement with the STO.
- 3.1.12. Explain and describe the components of the examination, as defined in these Guidelines.

#### **4. The Audit should consist of the following phases:**

##### **4.1. Phase I: Basic Information Gathering; Site Selection**

- 4.1.1. Objective: Where all record keeping, accounting and abandoned property reporting are not centralized, to determine the particular entities/business units/third-party accounts to be examined in Phase II.
- 4.1.2. Process: This phase commences with a telephone conference call (the opening conference) between the Auditor and the holder, at which time the Auditor requests basic data. The holder is expected to respond to the data request within an agreed-upon time period not to exceed 30 days.

##### **4.2. Phase II: Devising the Examination Program for a Recent Period**

- 4.2.1. Objectives: To determine the amount of abandoned property generated during a recent period. To understand policies and procedures related to accounting for and reporting abandoned property during the recent period. To determine the amount of outstanding liability related to the stale-dated and dormant amounts contained in the holder's presently maintained internal accounting system.
- 4.2.2. Process: This phase commences with a written information request from the Auditor to the holder. The holder is expected to be fully responsive to the Auditor's request within an agreed-upon time period not to exceed 30 days.

##### **4.3. Phase III: Examination of Recent Period; Consistency**

- 4.3.1. Objective: To test the holder's assertions regarding its creation and treatment of abandoned property for a recent period. In those instances where the results of the recent period indicate a proper treatment of abandoned property, or the failure to generate material amounts of abandoned property, to determine if these results would likely be reflective of prior periods.
- 4.3.2. Process: This phase commences with a written information request from the Auditor to the holder and includes a mutually agreed-upon date for a site visit. The site visit is expected to take place within 30 days of the information request. During the site visit, the Auditor analyzes the holder's books and records and selects items for testing. The holder is expected to produce documentation supporting its accounting for the items selected within an agreed-upon time period not to exceed 45 days. The Auditor then makes a second site visit to the holder at the agreed-upon date to review and analyze the documents produced.

##### **4.4. Phase IV: Detailed Testing Covering Entire Examination Period; Calculation of Amounts Due**

- 4.4.1. Objective: To determine the overall abandoned property due and owing for the entire period under examination. If, due to record retention policy constraints, less than the entire examination period will be examined, the Auditor must determine the base period to be utilized; calculate total abandoned property generated during the base period (*i.e.*, amounts that are abandoned, plus amounts suspended, plus amounts written off); extrapolate total abandoned property results from base period to entire period; then credit amounts actually reported and paid to the STO.
- 4.4.2. Process: This phase commences with discussions between the Auditor and the holder regarding the design of the Phase IV examination program. The design of the examination program is expected to take 30 to 45 days. The Auditor and the holder then decide upon a mutually agreed-upon date for a site visit. The site visit is expected to take place within 20 days of the end of the design of the Phase IV examination program. During the site visit, the Auditor performs testing procedures and select samples for testing. The holder is expected to produce documentation supporting its accounting for the items selected within 60 days. The auditors then make a second site visit at the expiration of the 60-day period to review and analyze the documents produced. If the holder believes it has been responsive to the Auditor, but the Auditor disagrees, the holder has an additional 30 days to provide additional documentation to the Auditor to support its position. Because many holders have multiple divisions, subsidiaries, and affiliates, and generate various types of property that require examination, separate analyses and reports will be prepared, so that the STO may receive property as amounts due are determined, and not wait for all areas to be completed.

#### **4.5. Phase V: Closing Examination**

- 4.5.1. Objective: To reach agreement with the holder on the amount of abandoned property due and owing.
- 4.5.2. Process: This phase commences with the provision of a draft report to the holder. The holder has 20 days to respond to the draft. Discussions are held with the holder to finalize the findings, which are expected to occur within 15 days of the holder's initial response. Promptly thereafter, the final report is issued.
- 4.5.3. The examination period will be extended to include any year subsequent to the years initially included if the examination is completed after additional report years have elapsed.
- 4.5.4. The holder should be informed that if it has fully reliable records for the examination period, there is no need for estimation techniques. The holder should also be informed that if it (i) wants to question the accuracy of its own records or (ii) does not have records for the entire period or (iii) believes that accessing those records would be excessively burdensome, then a sampling and extrapolation will be performed. If records do exist but are not electronically accessible and are too voluminous to have the Auditor manually keypunch or analyze them in a cost-effective manner, then the Auditor may similarly determine to perform estimation by means of sampling. The Auditor should advise the holder of the parameters of the sampling technique and try to reach agreement with the holder as to the integrity thereof. Failure to reach such agreement, however, should not halt the examination. The holder should be informed that if sampling techniques are used, the liability determined by the Auditor will represent a fair estimation only.
- 4.5.5. The Auditor should fully explain to the holder the appeal process and procedures. Further, the Auditor should obtain from the holder written confirmation acknowledging understanding of the appeal process and procedures.

#### **5. Working Paper Requirements**

The Auditor is required to prepare working papers that provide documentary evidence of the work performed in the examination. The working papers provide the basis for the review and evaluation of the work of the Auditor

and must be complete and accurate to provide proper support for findings, conclusions, and recommendations. Working papers must be clear and understandable, ensuring that supplementary explanations are not needed. Anyone using the working papers should be able to readily determine the purpose, nature, and scope of the work done and the Auditor's conclusions. Working papers must be legible and neat. The information contained in working papers should be restricted to matters materially important, relevant, and useful to the objectives established for the examination. The working papers are a record that should be understandable to any professional many years later, whether or not the Auditor preparing the working papers is available. Each work paper should "stand alone" and include adequate cross-references. The format for individual working papers should contain the following:

- 5.1. **Headings.** All working papers should be identified with a heading that includes the name of the entity being examined, the dates of the examination period, a title describing the nature of the data on the working paper, and the examination identification number.
- 5.2. **Signing, Dating, and Paginating.** Each lead working paper must be initialed and dated by the Auditor and the reviewer, and all pages numbered.
- 5.3. **Source, Purpose, Scope, Procedures, Findings and Conclusions.** Each of these items usually appears on every working paper. Occasionally, only the source and purpose are required, particularly when documents are obtained for background information. Procedures are necessary when the purpose of the working paper does not make them self-evident.
- 5.4. **Indexing.** The essential elements of an indexing system are (i) standard prepared index; (ii) total pages to each working paper; and (iii) sequential numbering of all pages after the assignment is completed. This ensures that all working papers are accounted for and allows the auditor to detect any missing pages.
- 5.5. **Cross-Referencing.** To highlight references among working papers, the cross-referencing page numbers should be written in red.
- 5.6. **Legends and Tick Marks.** A legend should be included on each working paper that adequately explains audit procedures performed and represented by a particular tick mark. If several pages of information are to be tested, the tick mark legend should be on or referenced on the first page of the working paper.
- 5.7. **Sampling Requirements.** The two possible approaches to sampling are nonstatistical and statistical. Regardless of the sampling approach selected, an Auditor must properly plan, perform, and evaluate the results of the sample in accordance with professional standards, i.e., Government Auditing Standards (GAS), Statement of Auditing Standards No. 39, promulgated by the American Institute of Certified Public Accountants (AICPA).
6. **Closure:** After the holder and the Auditor have agreed to the amount deliverable, the Auditor will provide the holder and the STO with a final examination report summarizing the procedures performed and the conclusions reached, including the amount deliverable. The content and format of the report shall be in the manner prescribed by the STO. The vendor's working papers will be subject to the STO's review. The holder will be notified of any interest or penalties assessed on delinquent property.
7. **Dispute Resolution:** In the event the Auditor and the holder are unable to reach an agreement as to the terms of the Auditor's final examination report, the holder may file an administrative appeal with the STO. In order to initiate the appeal process, the holder must complete Form UP-AR-01 or a letter containing the information referenced below and returns it to the STO within twenty days of filing the holder's initial response to the Auditor's draft report. Otherwise, the holder will be presumed to have agreed to the terms of the draft report.
  - 7.1. The appeal must contain the following information:
    - 7.1.1. The name and address of the holder;
    - 7.1.2. The name and official title of each party participating in the process;

- 7.1.3. The amount in question and the unclaimed property report years covered by the administrative appeal;
  - 7.1.4. A clear and concise description of each error that the holder alleges the Auditor made in its findings;
  - 7.1.5. A clear and concise statement of fact upon which the holder relies in support of each assignment of error;
  - 7.1.6. Whether a hearing is requested;
  - 7.1.7. The relief requested;
  - 7.1.8. The holder's signature;
  - 7.1.9. The date the form is completed; and
  - 7.1.10. Any other information that may assist the STO in reaching a decision on the matter.
8. The Treasurer or his designated agent will review the appeal. If the holder has requested a hearing, the Treasurer or his designated agent will schedule a hearing, to be conducted in accordance with the provisions of the West Virginia Administrative Procedures Act. The Treasurer or his agent may also contact the holder or any other entity he or she considers necessary to reach a decision.
  - 8.1. The Treasurer will issue a written decision to the holder and the Auditor. The decision will include findings of fact and conclusions of law.
  - 8.2. Upon receipt of the Treasurer's decision, the Auditor must incorporate the terms of the decision in its final examination report, and must provide the report to the Treasurer and to the holder.
  - 8.3. When a copy of the Auditor's final examination report has been provided to the Treasurer, the Treasurer will notify the holder in writing of any interest or penalties to be assessed. The holder may dispute the assessment of interest or penalties, within ten days of receipt of the notice of assessment, by following the procedures set forth in paragraph 7 above.
  - 8.4. Any party adversely affected by the Treasurer's decision is entitled to judicial review thereof under the provisions of the West Virginia Administrative Procedures Act.
9. Correspondence: The examination report and any relevant correspondence should be sent to the Internal Audit Division at the State Treasurer's Office, State Capital Building 1 Room 145 1900 Kanawha Boulevard East Charleston, WV 25305.
10. Unclaimed Property inquiries should be directed to 304-558-2937.

# Unclaimed Property Administrative Appeal Request

## Form UP-AR-01

Mail completed form, copy of draft report, and supporting documents to:

Audit Division  
Office of the W.Va. State Treasurer  
State Capitol Bldg 1 Room 145  
1900 Kanawha Boulevard East  
Charleston, WV 25305

Note: Appeals must be submitted to the State Treasurer's office within 20 days of filing an initial response to the auditor's draft report. Otherwise, the holder will be presumed to have agreed to the terms of the draft report. The Statement of Error should include a clear and concise description of each error that the holder alleges the auditor made in its findings, and a clear and concise statement of fact upon which the holder relies in support of each assignment of error. Supporting documents must be submitted with this appeal.

Holder Name:

Address:

Hearing requested?

☐ Yes

☐ No

Hearing Participant:

Hearing Participant:

Title:

Hearing Participant:

Title:

Assessment years  
covered:

Title:

Issue being appealed  
(check box(es)):

Statement of error:  
(may attach additional  
pages)

☐ Assessment. Amount \$\_\_\_\_\_ ☐ Interest. Amount \$\_\_\_\_\_ ☐ Penalty. Amount \$\_\_\_\_\_

Relief Requested:

Holder's Signature

Date